

MORE AT FOUR PRE-KINDERGARTEN PROGRAM

AUDIT GUIDELINES SFY 2009-2010

State Authorization: Session Law-Section 2007-323 Section 7.24.

N.C. Department of Public Instruction
More at Four Pre-kindergarten Program

Agency Contact Persons - Program

**John R. Pruette, Executive Director, Office
of Early Learning
Jody Koon, Section Chief,
Education Programs
(919) 981-5300**

Agency Contact Person – Financial

**Vacant, Section Chief
Budget, Management and Analysis
(919) 981-5300**

Address Confirmation Letter To:

Gene Bruton, Accountant I
N.C. Department of Public Instruction
Division of School Business
Monitoring and Compliance Section
Education Building
6334 Mail Service Center
Raleigh, NC 27699-6334
(919) 807-3726

The More at Four Pre-kindergarten Program is designated as a Purchase of Services Contract. These Audit Guidelines are offered to assist auditors in determining appropriate program and fiscal activities as specified in the More at Four Pre-kindergarten Program Requirements and More at Four Pre-kindergarten Guidelines and Fiscal and Budget Manuals, as well as the combined Program Monitoring Tool. These Audit Guidelines provide the essential components that should be monitored and the acceptable evidence of compliance with guidelines and rules as specified by the State Program Administrator.

The auditor should not consider the Audit Guidelines to be “safe harbor” for identifying audit procedures to apply in a particular engagement, but the auditor should be prepared to justify departures from the suggested procedures. The auditor can consider the Audit Guidelines a “safe harbor” for identification of audit guidelines to be tested if the auditor performs reasonable procedures to ensure that the requirements in the guidelines are current. The contractor agency may elect to review audit working papers to determine that audit tests are adequate.

I. PROGRAM OBJECTIVES

The objective of the *More at Four* Pre-kindergarten Program is to develop and implement a voluntary pre-kindergarten program which will provide high quality pre-kindergarten services in order to enhance kindergarten readiness for the at-risk four-year-old. State legislation (Session Law 2007-323 Section 7.24.(a). authorizes the Department of Public Instruction to continue the *More at Four* Pre-kindergarten Program for four-year-old children in North Carolina to ensure that all children have the opportunity to succeed in kindergarten and throughout school.

History and Development of *More at Four*

The *More at Four* enabling legislation (2001-02) outlined the guidelines for a Task Force to develop and implement the *More at Four* pre-kindergarten program for at risk four-year-olds who

are at risk of failure in kindergarten. Since 2001-02, the program has expanded rapidly and is in all 100 counties of the state. The table below reflects the growth for each year of the Program.

State Fiscal Year	# of Children in Classrooms	# of contractors	Annual Fiscal Budget Total
2001-02	1291	34	\$3,925,000
2002-03	6223	81	\$14,000,000
2003-04	11,000	91	\$38,830,879
2004-05	13,662	91	\$51,008,763
2005-06	17,890	91	\$66,646,653
2006-07	21,089	91	\$84,635,709
2007-08	31,071*	91	\$140,635,709
2008-09	34,876	91	\$170,635,709
2009-10	31,197*	91	\$158,927,192

* Estimated

Legislation appropriates funding for the program from the Education Lottery Fund and General Fund. At the state level, the *More at Four* Program is housed in the Office of Early Learning (OEL), Department of Public Instruction with primary oversight provided by the Executive Director.

The Program Requirements Manual and the Program Guidance Manual for the *More at Four* Pre-Kindergarten Program defines the program and policy requirements for subcontractors and providers. The Program Requirements Manual and the Program Guidance Manual for 2009-10 address: (i) the purpose, composition, and authority of County/Region *More at Four* Committees, (ii) eligibility of at-risk children for the program, (iii) general program operation, including a variety of program requirements and (iv) program standards and curriculum requirements, including monitoring requirements.

More at Four: A Comprehensive Approach

More at Four Pre-kindergarten Program participation is voluntary for four-year-olds who are at-risk for school failure. Legislation specifies that the program establish eligibility criteria, prioritize services to children who are not being served in other early education programs, build on the existing service delivery system, and set program standards. *More at Four* Pre-K funds slots to counties based on need and capacity to serve the eligible client group.

A County or Regional (two or more counties) *More at Four* Committee is constituted to receive the slots, determine in which allowable classrooms these slots can be placed, and ensure that services are provided and state standards are implemented in local classrooms through subcontracts, if applicable. This local Committee is to be chaired by the Superintendent of schools or designee and the chair of the local Partnership for Children (Smart Start) or designee. This

committee designates who the local contractor or administrative agent will be. One agency is designated as the administrative agent for the program in a county/region.

Eligibility for the program is based on age (age 4 by August 31 of the service year), income level, and other specified risk factors as defined in the Program Requirements.

Priority of service or enrollment is also based on whether the child has ever received child care services before, with the highest priority for enrollment going to children who are not currently or have never received services.

The initiative is designed to take advantage of and build on the diversity of service providers currently serving families with young children in North Carolina. *More at Four* pre-kindergarten classrooms may be provided in public schools, Head Start centers, and community-based child care centers (both profit and non-profit).

The *More at Four* Pre-kindergarten Program is an education program. The classrooms are required to meet specific program requirements. Program standards are built on the premise that, in order to be successful academically in school, children need to be prepared in all five of the major domains of development outlined by the National Education Goals Panel. Each of these domains is critical to the children's well being, in particular for their success in reading and math as they come to school. The five domains are (i) health and physical development; (ii) social and emotional development, (iii) approaches toward learning, (iv) language development and communication, and (v) cognition and general knowledge.

Program standards include: (i) maximum class size of 18, with a teacher and a teacher assistant, (ii) teachers with licensure in early childhood education (provisional approval allowed for teachers working toward licensure, (iii) use of recommended research-based pre-k curricula, and (iv) a six-hour school day.

Monitoring

Each *More at Four* program contractor will be expected to comply with any reporting requirements by the Office of Early Learning or the Request for Payment system of the Department of Public Instruction. Ongoing support and monitoring for consistency with program guidelines will be provided by the program.

II. PROGRAM CONTRACT PROCEDURES

More at Four funds are designated as a purchase of service contract. Annual allocations are made to each county. The County/Region *More at Four* Committee selects a contractor to operate the *More at Four* Program in each county. This contractor must submit a plan via the *More at Four* on-line system for approval before a contract is approved and executed. This plan follows all the criteria of the Program Requirements Manual and the Program Guidance Manual found on the Office of Early Learning web page (<http://www.osr.nc.gov>). The program contractor must follow all the requirements in the *More at Four Fiscal and Contract Manual* also found on the above web site.

Contracts for approximately 31,197 children to be served statewide were executed in SFY 09-10. This was the ninth year of the program.

More at Four funds also may be subcontracted by the contractor to other public and private agencies to purchase services as outlined in the approved plan. Activities to be performed by the sub-contractor are outlined in contract with the *More at Four* Pre-kindergarten Program. The contractor will also have a separate contract with each sub-contractor as applicable.

III. COMPLIANCE REQUIREMENTS

1. Activities Allowed

Services provided under the *More at Four* contracts should be consistent with those defined in the approved county/region plan and should meet specific requirements outlined in the *Program Requirements Manual* and the *Program Guidance Manual* which include:

1. Staff to child ratio and class size

- A *More at Four* Pre-Kindergarten Program will not exceed a maximum staff to child ratio of 1 to 9 with a maximum class size of 18 children

2. Facility requirements

All Public and specified non-public school programs qualify to receive *More at Four* funds to provide high-quality pre-kindergarten classrooms.

- Public school Pre-k programs and Head Start programs operated by the public schools must meet public school regulatory standards.
- Head Start programs operated by non-profit organizations and all private non-profit and for-profit centers must meet NC Division of Child Development regulatory standards and maintain a 4 or 5- star license. Under certain conditions, provisional approval may be granted to a 3 star program.

3. Initial screening and assessment in for enrolled children

- **Health Assessments** are required of children entering the *More at Four* Pre-Kindergarten Program in accordance with the following provisions:
 - The health assessment must be in place on the first day of attendance. If it is not in place, the family/parent is given written notice to:
 - Have the assessment completed within 30 calendar days of the notice date, or
 - Request parent/family to provide written evidence within 30 days of a date that the child has been scheduled for the health assessment.
 - If the assessment is not completed within 30 calendar days, or an appointment has not been made or has not been kept for the child's health assessment, the parent/family should be notified by the contract administrator that the child will lose their *More at Four* placement, and the slot will be filled by another eligible child with the appropriate health assessment, unless there are extenuating circumstances.
 - Programs may request an exception based on extenuating circumstances.
 - A child's last allowable Medicaid health assessment will meet this requirement.
- **Developmental Screening** - All children enrolled in *More at Four* must receive a developmental screening using an approved screening instrument, unless the child has an existing Individualized Education Program (IEP). Children must be screened within 90 days after the first day of attendance in the program or within 6 months prior to the first day of attendance.

4. Instructional component

- Use of curriculum specified in the county/region plan for student instruction.
- Determine that lead classroom teacher has been approved by the NC Office of Early Learning to act in that capacity.

Suggested Audit Procedures

1. Review the Program Requirements Manual and the Program Guidance Manual to determine specific program requirements.
2. Determine that specific program standards were met in locally approved programs. Acceptable documentation/verifications for specified program standards are as follows:
 - **Staff to child ratio and class size** (enrollment, classroom attendance records)
 - **Facility requirements**
 1. **Public – LEA regulations**
 2. **Non-Public – NC Division of Child Development (copy of current facility license)**
 - **Initial screening and assessment** for enrolled children
 1. Health Assessments (log of assessment dates or written documentation of appointment and a copy of each child's assessment)
 2. Developmental Screen (log of assessment dates and copy of cover sheet of each child's assessment)
 - **Instructional component**
 1. Curriculum (as specified in the county/region plan)
 2. Review copy of approved MAFPlan (on-line version acceptable).

2. Allowable Costs/Cost Principles

Compliance Requirements -

In the *More at Four* Program there are two types of funds: Operational and Start-up funds. Under a Purchase of Service contract, operational funds pay for services rendered at a unit cost per service. Actual use of those funds is not documented. If the service is provided, the funds are paid to the contractor for that service on a monthly basis. Start-up funds are one time slot-related restricted funds and may be used only for preparing or equipping a classroom for the *More at Four* Program. See The Budget and Contract Manual for the *More at Four* Program, Section III. Allocation of Funds, D. Start-up Funds, 2.Allowances/Restrictions.

“Start-up funds will be available upon execution of the contract. Start-up funds must be used to prepare the *More at Four* Pre Kindergarten classroom, including but not limited to the purchase of instructional materials, curriculum, equipment and supplies. As restricted funds, start-up funds may not be expended for real property, buses or motor vehicles or office/administrative equipment.- Items purchased with start-up funds stay with the *More at Four* Program. The Contractor, as advised by the County/Region *More at Four* Committee, may allocate start-up funds among the classrooms based on needs.”

Audit Objectives - Determine whether:

Determine that Operational funds agree with the amount recorded at DPI.

Expenditures of *More at Four* Start-up funds were for allowable costs. If Start-up funds were not used determine if they were returned to Office of Early Learning.

Check to see if all equipment that was purchased with Start-up funds has been tagged and included in their inventory.

Suggested Audit Procedures

Test a sample of transactions for compliance with the following criteria:

1. Allowable cost provisions of or limitations in the program contract, program regulations, or budget manual.
2. Charges for actual costs, not budgeted or projected amounts.
3. Calculated in conformity with generally accepted accounting principles or another comprehensive basis of accounting when required.
4. Supported by appropriate documentation, such as approved purchase orders, receiving reports, vendor invoices, canceled checks, inventory, time and attendance records, and correctly charged as to account, amount, and period. Documentation may be in an electronic form.

3. Cash Management

Compliance Requirements – The *More at Four* Program provides payment for services rendered based on a Request for Payment and supporting documentation (classroom attendance reports). Start-up funds are requested by the contractor and a quarterly report showing expenditures are submitted. Any unexpended start-up funds are returned to the State *More at Four* program by June 20th of the State fiscal year.

Audit Objectives - Determine whether contractor:

1. Followed the procedures established by the applicable sections of the contract with the *More at Four* Pre-kindergarten Program.
2. The contractor implemented procedures to assure that sub-contractors conformed substantially to the same requirements that applied to the contractor.

Suggested Audit Procedures

1. Select a sample of monthly payment requests (Requests for Payment) and trace payments requested to documentation showing that the services were received by eligible children. If any ineligible children have been served. If they have been served then a Questioned Cost for that amount.
2. Select a sample of quarterly Start-up expenditure reports and trace to supporting documentation showing that the cost for materials or other expenses are supported by accounting reports.

3. If appropriate, ensure any advance has been reconciled and “zeroed out” in the accounting records.
4. Check and see if any Start-up money was not used (from quarterly Start-up Expenditure Reports), if not, see that it was returned to the State. If not, then a questioned cost for that amount.

4. Eligibility

Compliance Requirements - The specific requirements for eligibility are found in legislation and the Program Requirements Manual and the Program Guidance Manual. This requirement specifies the criteria for determining the individuals that can participate in the program and include:

Age Requirements

1. Children to be enrolled must be four years of age on or before **August 31st** in the year served.
2. Children age eligible for kindergarten cannot be served with *More at Four* funds.

Income Requirements

1. Children in families with annual incomes at or below 75% of the State Median Income (SMI) level are eligible for *More at Four* services.
2. When a family’s gross income exceeds 75% of the State Median Income (SMI), the child is deemed eligible if he/she meets at least one of the criteria listed below:
 - Limited English Proficiency (LEP) as indicated by the family and/or child speaking limited or no English in the home;
 - Identified Disability as indicated by the child having a current Individualized Education Plan (IEP);
 - Chronic Health Condition as indicated by a health care provider diagnosis, e.g., asthma, sickle cell anemia, cancer, HIV;
 - Developmental/Educational Need as indicated by the child’s performance results on a developmental screening.
3. Up to 20% of a county/region’s *More at Four* slots may be filled by children above 75% of the State Median Income level who meet at least one of the criteria listed above.

A child is eligible for *More at Four* if at least one parent or legal guardian of this child is an active duty member of the armed forces of the United States (Army, Navy, Marine Corps, Air Force, and Coast Guard) or the North Carolina National Guard or other state military force, or a Reserve Unit of the armed forces who is ordered to active duty by the proper authority within the last 18 months or expected to be ordered within the next 18 months. A child whose parent or legal guardian has been seriously injured or killed while on active duty is also eligible

Military eligible children are not counted in the county’s allowable percentage of slots serving children over 75% of the State Median Income.

Audit Objectives - Determine whether:

1. Required eligibility determinations were made, (including obtaining any required documentation/verifications) and that individual program participants were determined to be eligible. Acceptable documentation/verifications are as follows:
 - Date of Birth (birth certificate, medical records, or date recorded in family bible)

- Proof of Income (parent or caregivers statement substantiated by parent or caregiver's signature)
2. Payments were made for services provided to eligible participants only.
 3. Payments were made in accordance with the program's fiscal requirements.

Suggested Audit Procedures

1. Review to determine if an eligibility determination system is in place.
2. Using a random sample, perform test to determine if eligibility criteria are being followed.
 - a. Specific individuals were eligible in accordance with the requirements of the program.
 - b. Payments made were in compliance with the requirements of the program.
 - c. Payments were discontinued when the period of eligibility expired.

5. Equipment and Real Property Management

Compliance Requirements - This provision pertains ONLY to equipment purchased with *More at Four* Start Up funds. Title to equipment costing in excess of \$500 acquired by the contractor with *More at Four* Start-up funds shall vest with the Contractor subject to the following conditions:

1. The contractor shall use the equipment in the project or program for which it was acquired as long as needed. When equipment is no longer needed for the *More at Four* Program, or if operations are discontinued, the contractor shall contact the Office of Early Learning for written instructions regarding the disposition of equipment.
2. When acquiring replacement equipment, the contractor may use equipment purchased through the *More at Four* Pre-kindergarten Program as trade-in against replacement or may sell the equipment and use the proceeds to offset the costs of replacement equipment subject to approval of the Office of Early Learning.
3. For equipment costing in excess of \$500, equipment controls and procedures should be maintained to adequately account for and identify the equipment in accordance with the contract.
4. The contractor shall ensure that all sub-contractors are notified of their responsibility to comply with the equipment conditions as specified in the contract with the Office of Early Learning.

5. Audit Objectives - Determine whether:

1. The contractor maintains proper records for equipment and adequately safeguards and maintains equipment.
2. Disposition of any equipment acquired with State funds is in accordance with the requirements of the awarding agency.

Suggested Audit Procedures

1. Obtain entity's policies and procedures for equipment management and ascertain if they comply with the contracting agency's policies and procedures.
2. Select a sample of equipment transactions and test for compliance with the contracting agency's policies and procedures for management and disposition of equipment.

3. Dispositions of Equipment. Determine the amount of equipment dispositions for the audit period and perform procedures to verify that dispositions were made in accordance with the contracting agency's requirements.

6. Accessing Other Resources

Compliance Requirements - The specific legislative requirements for contractors to access other resources are:

Session Law 2006-66 Section 7.18.(c)(10): "A local contribution. Programs must demonstrate that they are accessing resources other than 'More at Four.' " The *More at Four* Program legislation does not require a specific percent of other resources to be accessed. The purpose is to blend funding with existing resources to maximize funding for the program.

Session Law 2006-66 Section 7.18.(g): "The *More at Four* program funding shall not supplant any funding for classrooms serving four-year-olds as of the 2005-2006 fiscal year. Support of existing four-year-old classrooms with "More at Four" program funding shall be permitted when current funding is eliminated, reduced or redirected as required to meet other specified federal or State educational mandates." The purpose is to leverage funding with existing resources to maximize services to at-risk 4-year old children.

In order to meet the required other resources accessed, the expenditures shall:

1. Be verifiable from the contractor's records;
2. Be supplemental to and not supplant preexisting resources for related program activities unless current funding is no longer available due to other State or federal educational mandates;
3. Be incurred as a direct result of the *More at Four* Pre-kindergarten Program and be necessary and reasonable for the proper and efficient accomplishment of the Program's objectives;
4. Be reported to *More at Four* Pre-Kindergarten Program, or the contractor by the sub-contractor in the manner proscribed by the budget manual.

Contractors shall monitor and report qualifying expenses to ensure they have occurred and meet the requirements prescribed in this section.

Audit Objectives

1. Accessing Other Resources - Determine whether there are documented resources to the *More at Four* Program and what these resources are. There is no minimum amount or percentage required.
2. Supplement Not Supplanting - Determine whether specified service or expenditure levels of other funding for the *More at Four* Pre-kindergarten program were maintained. If other funding levels were reduced, determine if the *More at Four* Pre-kindergarten funds were used to replace. In making the determination, consider the parameters as stated in special provision legislation (S.L. 2006-66, Section 7.18(g)).

Suggested Audit Procedures

1. Accessing Other Resources

Review that there are documented other resources supporting the *More at Four* Program.

2. Supplement Not Supplant

Verify that the *More at Four* Pre-kindergarten program funds did supplement and not supplant the existing resources except when allowable by special provision.

7. Period of Availability of State Funds

Compliance Requirements – *More at Four* Pre-Kindergarten contracts specify a time period during which the contractor may use the State funds. Where a funding period is specified, a contractor may only charge costs resulting from expenses incurred during the funding period. Also, operating funds unspent balances may be carried over to subsequent funding period with the approval of the *More at Four* Planning Committee.

Audit Objective - Determine whether State funds were expended within the period of availability.

Suggested Audit Procedures

1. Review the Contract documents and regulations pertaining to the program and determine any contract-specific requirements related to the period of availability and document the availability period.
2. Determine that all Start-up costs were expended prior to the end of the contract period and unspent Start Up funds were returned to the Office of Early Learning.
3. Review that any carry-forward operational funds were approved by the County/Region *More at Four* committee with a plan for their use in the program.

8. Reporting

Compliance Requirements

Financial and Program Reporting

The specific requirements for contractor reporting are found in the provisions of the *More at Four* Pre-kindergarten contract, Program Guidelines and Requirements and the Fiscal and Contract Manuals. There are four reports that must be completed: The monitoring tool; the monthly Request for Payment; the Other Resources Certification Statement; and the Quarterly Start-up Report (if start-up funds are in the contract).

Audit Objective - Determine whether required reports for State contracts include all activity of the reporting period, are supported by applicable accounting or performance records, and are fairly presented in accordance with program and fiscal requirements.

Suggested Audit Procedures

1. Review applicable provisions of contracts for reporting requirements. Obtain and review instructions for completing the reports.
 - a. For financial reports, ascertain the accounting basis used in reporting the data (e.g., cash or accrual). The *More at Four* Pre-kindergarten Program requires the cash basis.

- b. For program reports, determine the criteria and methodology used in compiling and reporting the data is consistent with program requirements and accepted documentation.
- 2. Select a sample of report types.
 - a. Ascertain if the financial reports were prepared in accordance with the required accounting basis.
 - b. Determine if the financial reports were calculated properly and are documented appropriately. For the Request for Payment Report, documentation is the classroom attendance report. For the Quarterly and Annual reports, documentation accepted is the generally accepted accounting practices.
 - c. Ascertain that the reports were submitted when due.
 - d. Ascertain if the program and fiscal monitoring tool was completed and available for state office review.

9. Sub-contractor Monitoring

Compliance Requirements –

A contractor is responsible for:

- Identifying to the sub-contractor the monitoring requirements specified in the Program Requirements Manual and the Program Guidance Manual and the Fiscal and Contract Manual.
- Monitoring the sub-contractor activities to provide reasonable assurance that program requirements are met.
- Requiring the sub-contractor to take prompt corrective action on any findings discovered during the monitoring process.

Audit Objectives - Determine whether the contractor:

- 1. Identified monitoring requirements to the sub-contractor.
- 2. Monitored sub-contractor activities to provide reasonable assurance that the sub-contractor administers contract in compliance with the Program Requirements Manual and the Program Guidance Manual and ensured that appropriate corrective action was taken on monitoring findings.

Specific program monitoring tools developed by the Office of Early Learning or other similar locally developed tools should be used at the local level for self-review and verification of compliance with the operating regulations and standards.

Suggested Audit Procedures

- 1. Test contract to ascertain if the contractor made sub-contractor aware of monitoring requirements specified in the Program Requirements Manual and the Program Guidance Manual.
- 2. Review the contractor's documentation of sub-contractor monitoring to ascertain if that sub-contractor provided services in compliance with *More at Four* program guidelines and that appropriate corrective action was taken on any monitoring finding.

The contractor's process for monitoring is as follows:

- The local *More at Four* Contract Administrator has on file an original copy of the completed site/classroom monitoring tool selected for use by each *More at Four* site.
- Results from the tool utilized for sites and classrooms were used to complete the Contractor/Program tool selected for monitoring. Specific concerns for any site/classroom were recorded and attached to the monitoring tool.
- The tool utilized for Contractor/Program monitoring was made available for review during a scheduled monitoring/compliance visit conducted by the Office of Early Learning.
- Additionally, the Contract Administrator made at least one annual site visit to each *More at Four* program site/classroom during the program year. During the visit, the selected site/classroom monitoring was discussed and validated by the local Contract Administrator. For sites/classrooms that did not meet specific guidelines, plans to ensure compliance were reviewed and monitored for completion.